

## Message Text

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PAGE 01 STATE 176490

13

ORIGIN OPIC-12

INFO OCT-01 NEA-10 ISO-00 EB-11 L-03 AID-20 IGA-02 /059 R

66610

DRAFTED BY:OPIC/GC:STEVEN FRANKLIN

9/5/73 EXT 21828

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NEA/INC:JHOWES (INFO)

DISTRIBUTION: NONE INDICATED

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P 052158Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI PRIORITY

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E.O. 11652: N/A

TAGS: E/FIN

SUBJECT: SHAMA FORGE CO. LTD. (COOLEY LOAN NO. 386-E-116)

FOR KEVIN O'DONNELL

REF: A) STATE 030316; B) NEW DELHI 10122; C) NEW DELHI 10240

1. NEITHER REF. B OR C RECEIVED UNTIL CLOSE OF BUSINESS  
ON SEPTEMBER 4. TO AVOID SUCH DELAYS IN FUTURE, PLEASE  
TAG CABLES RE LITIGATION FOR OPIC/GC.

2. RE PARA 2, REF A, WE CAN FIND NO DIRECT SUPPORT FOR THE  
COMMENT. WE FIND CONSISTENT SUPPORT FOR THE PROPOSITION THAT  
SHAMA, IN ITS EAGERNESS TO DRAW ON THE LOAN, PAID LITTLE ATTENTION  
EITHER TO PROPER COMPLIANCE WITH THE CONDITIONS PRECEDENT OR  
TO PROTECTING ITSELF AGAINST POSSIBLE MISCONDUCT BY KROPP.  
SEE SHAMA LETTER OF JULY 9, 1966, WHICH IS NOT IN OUR FILES.  
WE HAVE NOT BEEN ABLE TO FIND ANY REPRESENTATION MADE TO AID BY  
SHAMA IN REGARD TO THE MACHINERY IN WHICH SHAMA STATED ITS OWN  
OPINION RATHER THAN REPEATING OPINIONS SUPPLIED TO SHAMA BY  
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PAGE 02 STATE 176490

KROPP. HOWEVER, PLEASE NOTE THE AID/IIS REPORT OF INVESTIGATION

DATED AUGUST 12, 1971, IN IIS CASE NO. 4441. AT PAGE 3,  
AN INTERVIEW OF FELIX GROSSMAN, ATTORNEY FOR ANADITE, IS REPEATED.  
MR. GROSSMAN RELATED THE EVENTS SURROUNDING THE JOINT SHAMA,  
KHANNA, ANADITE AND KROPP MEETINGS IN 1967. EACH PARTY WAS  
REPRESENTED BY TECHNICIANS WHO EXAMINED THE MACHINERY TO  
DETERMINE IF ADDITIONAL REHABILITATION WAS NEEDED. BASED ON  
THE AGREEMENT REACHED BY THE TECHNICIANS, THE PARTIES MADE A  
WRITTEN AGREEMENT TO PROVIDE FOR THE ADDITIONAL WORK. THE  
MINUTES OF SHAMA'S DIRECTOR'S MEETING OF NOVEMBER 15, 1969  
INDICATE THAT SHAMA AND ANADITE EXECUTED AN AGREEMENT RELEASING  
ANADITE FROM ANY FURTHER LIABILITY FOR THAT AGREEMENT.  
PRESUMABLY SHAMA WAS SATISFIED WITH THE MACHINERY AT THAT POINT  
OR WOULD NOT HAVE EXECUTED THE AGREEMENT. A REVIEW OF THE  
1969 OR 1970 REPORT OF THE DIRECTORS TO THE SHAREHOLDERS MAY  
PROVIDE AN ADMISSION TO THIS EFFECT. WE DO NOT HAVE COPIES OF  
THOSE FINANCIAL REPORTS.

3. SINCE THE POSSIBILITY THAT SHAMA CERTIFIED THAT THE MACHINERY  
HAD BEEN RECONDITIONED IS SOMEWHAT SPECULATIVE, IT PROBABLY IS  
ADVISABLE TO FILE THE ANSWER NOW AS IT IS AND THEN ATTEMPT TO  
FIND ADDITIONAL EVIDENCE BY DISCOVERY. WE TRUST O'DONNELL  
DISCRETION IN THIS MATTER AS WELL AS IN LITIGATION PLANS  
MENTIONED IN PARA 1, 2 AND 3 ON REF B. HOWEVER, SINCE PRESENT  
APPROACH WOULD NOT JEOPARDIZE SUBSEQUENT ACTION AGAINST SHAMA  
ON THE DEBT, WE PREFER TO DEFER THAT DECISION AT LEAST PRESENTLY.

DECLASSIFY: ON RECEIPT.  
RUSH

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**To:** NEW DELHI  
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